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ANALYSIS OF THE RELATIONSHIP BETWEEN INFORMATION TECHNOLOGY USE AND FINANCIAL REPORTING FRAUD

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ABSTRACT

This literature review study is motivated by an empirical phenomenon that describes events and issues regarding the widespread fraudulent acts of financial reporting carried out by companies. The motives for fraudulent financial reporting vary, but the fraudulent financial reporting that is carried out cannot be justified. This literature is intended to theoretically analyze the relationship between the use of information technology and fraudulent financial reporting. The literature review method was carried out on ten articles obtained from two databases, namely Google Scholars and Publish or Perish. Keywords for article searches are "Information Technology", "Financial Reporting Fraud", with "AND" as the Boolean Operator. The relationship between Information Technology and Financial Reporting Fraud is based on Stewardship theory and Attitude and Behavior theory. The results of this literature review are that the use of Information Technology (IT) in companies has a negative effect on acts of Financial Reporting Fraud.

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INTRODUCTION

Financial statements are the main parameters used to describe the performance of an entity or company. Financial statements have a very significant influence on the business continuity of a company. Due to their significant influence, some individuals and even corporate entities are known to carry out acts of manipulating (committing fraud) against the financial statements of the company (entity) under which it is run. Cheating can be interpreted as an act or practice that involves dishonest or unethical behavior with intent to manipulate or harm another party. In a variety of contexts, fraud can refer to different types of acts involving fraud, manipulation, or ethical violations in a variety of occupations including financial reporting. Financial reporting fraud is a practice that involves the manipulation of a company's financial information with the aim of misleading interested parties, such as shareholders, investors, or authorities. Subjects committing acts of financial reporting fraud can vary and involve various parties in or around an organization such as Executive Management, the Department of Finance and Accounting, Internal Auditors and Professional Accountants, the Board of Directors, or even external parties involved in the preparation of financial statements.

An example of a company in Indonesia that has been proven to commit fraud in financial reporting is PT Asuransi Jiwasraya (Persero). PT Asuransi Jiwasraya (Persero) is an Indonesian state-owned business entity engaged in insurance. These state-owned companies have been shown to have committed acts of fraud on financial statements repeatedly. Manipulation activities began in 2006 when PT Jiwasraya's financial statements showed a negative equity value of Rp 3.29 trillion because the assets held were much smaller than liabilities. Due to these financial statements, the CPC (Financial Examining Agency) gave the opinion disclaimer for the financial statements of the Years 2006 and 2007 because the presentation of the reserve information cannot be believed to be true. In 2015, OJK conducted a direct examination of PT Jiwasraya with aspects of investment and coverage examination. Then the CPC conducted an audit in 2015 of the company's financial statements and found alleged

abuse of PT Jiwasrata's authority as well as overstated financial investment asset reports and understated liabilities.

From this example, it can be concluded that acts of financial reporting fraud are so detrimental to various parties that prevention (mitigation) measures are needed to minimize acts of financial reporting fraud. One of the solutions to prevent financial reporting fraud is to implement Information Technology (IT) in the company's business processes.

Today, the Company is undergoing a digital transformation in the conduct of its business. Digital transformation is the transfer of analog processes to digital by utilizing information technology. Information technology is being used to fundamentally change the way companies do business. The company's goal of changing the way it does business by leveraging information technology is to improve efficiency, competitiveness, and customer quality. The implementation of information technology can meet the information needs of the business world very quickly, timely, relevant, and accurately (Jurnali and Supomo, 2002). The implementation of information technology helps the company's activities in producing accurate information and certainly helps prevent the occurrence of fraud in the company organization. For example, in the era before information technology was applied to business, companies still had to manually manage various business processes such as inventory management, payments, and sales. But today, business processes in enterprises such as inventory management and payment have resorted to automation and use information technology. The use of information technology can improve internal control by adding new control procedures performed by computers and by replacing controls normally performed manually which are prone to human error. This review literature attempts to examine the influence of the application of Information Technology (IT) and its relationship in the prevention of fraud in financial reporting of companies.

LIBRARY REVIEW

Theory of Attitudes and Behavior

The Theory of Attitudes and Behavior is a theory that states that the use of a personal computer (PC) by workers who have knowledge in an optional environment will be influenced by individual feelings (affect) towards the use of personal computers, social norms in the workplace that pay attention to the use of personal computers, habits in relation to computer use, expected individual consequences (consequences) of personal computer use, and conditions that Facilitating (facilitating conditions) and a conducive environment in PC use (Tjhai Fung Jin, 2003).

Stewardship Theory

Stewardship theory emphasizes the obligation of the steward (manager of the LPD) to carry out the duties charged by the principal (customer/society) with full responsibility to achieve the set goals, such as producing financial statements of good quality and in order to carry out these responsibilities, the steward is expected to exercise all the competencies possessed by his human resources by utilizing information technology and complying with the applicable regulations in internal control efforts of the organization on the preparation of financial statements so it is expected to create quality financial statements (Desi Lestari, et al 2022).

Information Technology

The use of information technology can improve internal control by adding new control procedures performed by computers and by replacing controls normally performed manually which are prone to human error (A. Arens, et al 2012). Although information technology can improve the internal control of a company, information technology can also affect overall control risks. There are new emerging risks related to broken and failing IT systems (Chahoud, et al 1975).

Utilization of information technology on the implementation of accounting tasks, utilization of the IT integration level on the implementation of accounting tasks consists of: the accounting/finance department has enough computers to carry out the tasks, the Internet network has been installed in the work unit, the computer network has been utilized as a link between work units in the delivery of data and required information, the accounting process from the beginning of the transaction to the creation of financial statements is carried out

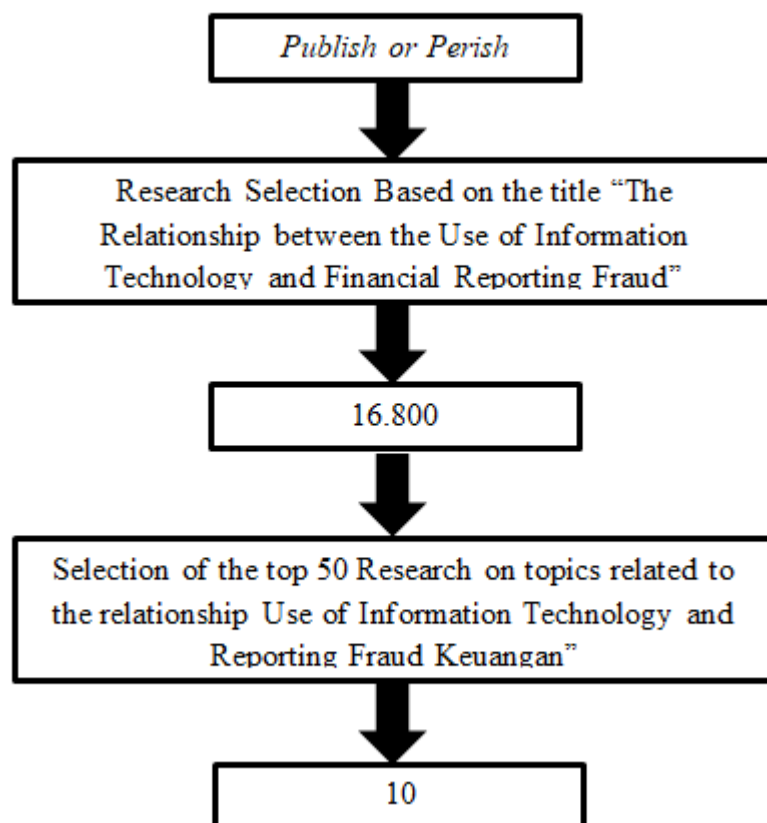
computerized, the processing of financial transaction data using Software that complies with legal regulations, accounting and managerial reports are generated from an integrated information system, there is a regular maintenance schedule of equipment, and outdated equipment is recorded and repaired in a timely manner (Jurnali and Supomo, 2002).

Fraud in Financial Statements

Fraud in financial statements is the misrepresentation or erasure of amounts or disclosures deliberately made for the purpose of deceiving users. Write-offs against reported amounts are a less common case found, but a company can overstate earnings by writing off trade debts and other liabilities. Asset misappropriation is fraud that involves theft of assets belonging to an entity. The term asset misuse is often used to refer to theft committed by employees and other internal parties within an organization (A. Arens, et al 2012).

RESEARCH METHODS

The research method used in this study is systematic literature review or systematic literature review. The stages carried out in this study using the SLR method follow the research stages conducted by Alvianto et al (2022) consisting of problem identification, literature search, selection of literature search results and analysis of literature search results. It can be outlined in the following figure:



Gambar 1. Stages of Search and Selection of Literature

Identification of the problem

At the stage of identification of the problem, it is possible to determine the objectives and results that the study will achieve using the SLR method. The purpose of this study is to evaluate and analyze performance. Formulation of two research questions (RQ) related research objectives, namely:

RQ 1 : What ratios have previous studies used in assessing financial reporting fraud?

RQ 2 : How does financial reporting fraud compare before and when using information technology?

Literature Search

The focus of the research, SLR is focused on the Local Government in Indonesia, literature search is conducted on journals indexed on Publish or Perish application database. Literature search selection by title "Relationships of Information Technology Use and Financial Reporting Fraud". The literature search resulted in 16,800 articles.

Selection of Literature Search Results

To sort out the literature with a research focus on local government, the literature search results obtained 10 articles.

RESULTS AND DISCUSSION

The following analysis results from several previous studies that discussed the relationship between the use of information technology and financial reporting fraud as a material in conducting a library review can be described in table 1:

No	Judul Artikel	Penulis Artikel	Penerbit Artikel	Hasil Penelitian
1	Analysis of Factors Affecting Utilization of Information Technology and Influence of Utilization of Information Technology on Performance of Public Accountants	Tjhai Fung Jin	Jurnal Bisnis Dan Akuntansi Vol. 5, No. 1, April 2003, 1-26	The results of this study show that there can be a positive relationship between social factors and the utilization of information technology. There is a positive relationship between affect and use of information technology. There is a negative relationship between complexity and the utilization of information technology. There is a positive relationship between the suitability of tasks and the utilization of information technology. There is a positive relationship between long-term consequences and the utilization of information technology. There is a positive relationship between facilitating conditions and the utilization of information technology. there is a positive relationship between the utilization of information technology and unsustainable performance
2	Utilization of Information Systems and Information Technology Effects on Individual	Hj. Lindawati dan Irma Salamah	Politeknik Sriwijaya	Negeri The results of the study showed that the variables of conformity of technological tasks have a negative relationship and a significant effect on individual performance Perception of

Performance of Employees

expediency and computer anxiety have a positive relationship and a significant effect on the individual performance of employees. Variables of complexity and facilitating conditions have no significant effect on the individual performance of employees. The results also showed that expertise as a moderating variable significantly influenced the relationship between computerized anxiety and employee individual performance.

3	The Role of Human Resources Competence in Moderating the Relationship between the Utilization of Information Technology and Internal Control Systems to the Quality of Financial Statements of Lpd in Penebel District	1. Ni Komang Desi Lestari 2. Ni Putu Ayu Kusumawati 3. I Putu Nuratama	Hita Akuntansi dan Keuangan Universitas Hindu Indonesia Edisi Januari 2022	1. The use of information technology has a negative and insignificant effect on the quality of the financial statements of LPD Se-Kecamatan Penebel. It is not optimal that the use of information technology carried out in LPD Se-Kecamatan Penebel will have an impact on the lack of quality of the financial statements produced. 2. The internal control system has a positive and significant effect on the quality of the financial statements of LPD Se-Kecamatan Penebel. The existence of a good internal control system in LPD Se-District Penebel will reduce the risk of errors in the preparation of financial statements and be able to detect any fraud that will later affect
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				the quality of the financial statements produced.
				3. HR competence is not able to strengthen the influence of the use of information technology on the quality of financial statements, where HR competence is not a moderating variable, but can be a free, antecedent, or mediating variable.
				4. HR competence is not able to strengthen the influence of the internal control system on the quality of financial statements, this means that HR competence is not as a moderating variable, but can be a free variable, antecedent, or medias
4	The Effect of Competence and Use of Accounting Information Technology on the Quality of Bumdes' Financial Statements	1. Parmin Ishak 2. Fitria Syam	Journal of Technopreneurship on Economics and Business Review Vol. 1, No.2, 2020	The results of this study showed that competence and the simultaneous use of accounting information technology had a significant effect on the quality of financial statements with a significant degree of 45.9% while the remaining 54.1% were influenced by other variables outside the model such as work experience, training Level of education, competence partially had a positive and significant effect on the quality of financial statements with a significant rate of 56.9%. Partial use of accounting information technology had a positive and significant effect of 26%. This shows that the better the competence

					and use of accounting information technology, the better the quality of the financial statements produced.
5	The Role of Information Technology in Anticipating Accounting Fraud (Case Study at Pt Xyz Tbk)	1. Amararengg ana Dharmesti 2. Ali Djamhuri	Fakultas Ekonomi dan Bisnis Universitas Brawijaya		The results of the study showed that the information technology implemented by PT XYZ can anticipate accounting fraud both through general control and application control. This has reduced the occurrence of fraud that has been experienced by PT XYZ
6	Influence of Information Technology and Accounting Reporting on Fraud Prevention	1. Rini Widianingsih 2. Siti Maghfiroh 3. Agus Sunarmo3	JURNAL AKUNTANSI September 2018, Volume XVII, No 2, 110-123	ILMIAH	The results of this study show that Information Technology has an effect on fraud prevention and Accounting reporting has an effect on fraud prevention
7	The Effect of Financial Ratios on Financial Reporting Fraud	Ika Listyawati	Media Akuntansi Universitas Muhammadiyah Semarang, Vol.10(1) 2020, 41-46		The results of this study showed that corporate financial leverage has a positive effect on financial reporting fraud. liquidity negatively affects financial reporting bias, an unaccepted but significant hypothesis. Profitability ratio proxied with Return On Assets (ROA) negatively affects financial reporting fraud. capital turnover has a negative effect on financial reporting fraud. Capital turnover negatively affects financial reporting fraud.
8	Effect of Audit Committee Characteristics and Companies on Financial Reporting Fraud	Andrian Prasetyo Budi	Universitas Diponegoro		The results of this study show that the lower number of independent audit committees negatively affects the likelihood of financial reporting fraud. The audit committee's financial expertise negatively affects the likelihood of financial reporting fraud The audit committee has a negative effect on the likelihood of financial reporting fraud. The tenure of the audit committee had a negative

				effect on possible financial reporting fraud. Managerial ownership has a negative effect on the possibility of financial reporting fraud. Corporate leverage has a positive effect on the possibility of financial reporting fraud. The size of the company has a positive effect on the possibility of financial reporting fraud. The growth rate of the company has a positive effect on the possibility of financial reporting fraud.
9	The Effect of Fraud Triangle on Financial Reporting Fraud With Beneish M-Score Model	1.Grenadi Boermawan 2.Rizka Indri Arfianti	JOURNAL OF APPLIED MANAGERIAL ACCOUNTING Vol. 6, No. 2, 2022, 173-186	The results of this study showed that the variables Financial Stability, External Pressure, Personal Financial Need, Financial Targets, Ineffective Monitoring, Organizational Structure and Rationalization had no effect on Financial Statement Fraud.
10	The Effect of Pentagon Fraud in Detecting Financial Reporting Fraud (Study on Mining Sector Companies Listed on Indonesia Stock Exchange Period 2013-2017)	1. Ratna Dewi Agustina 2. Dudi Pratomo	Jurnal Ilmiah MEA (Manajemen, Ekonomi, & Akuntansi)	The results of this study show that pressure variables partially have an influence on financial reporting fraud. Opportunity variables with indicators of ineffective monitoring partially have a significant positive effect on financial reporting fraud. Rationalization variables with public accountant change indicators (AUDCHG) partially had no significant effect on financial reporting fraud. ability variables with indicators of change in the composition of directors (DCHANGE) partially had no significant effect on financial reporting fraud. arrogance variables with partial CEO PIC indicators had no significant effect on financial reporting fraud.

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